

## FOREIGN TRADE OF AGROINDUSTRIAL PRODUCTS SERBIA AND MONTENEGRO IN THE CEFTA AGREEMENT<sup>1</sup>

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### Abstract

*For food producers in Serbia, the process of trade liberalization is a tough competition. This implies the necessity of raising the technological level of production, productivity, efficiency and application of marketing concept. Increased competition in the domestic market should contribute to improving the quality and supply of goods. It is realistic to expect a decline in product prices, which in the future may be difficult to domestic producers, reducing their income. At the same time, this process provides an opportunity for consumers to have a wider choice of products by varied offer of cheaper goods. The subject of this paper is the foreign trade of agro-industrial products of the Republic of Serbia and the Republic of Montenegro within the framework of the CEFTA agreement signed in accordance with the agreement on free trade. CEFTA agreement contributes to the Western Balkan to become economically integrated area for goods and services. Meanwhile, it should be a destination for foreign investment. The aim of the research is considering possibilities of improving and expanding foreign trade of agro-industrial products of these countries. The analysis of foreign trade relations is necessary to detect the strengths and opportunities for improving trade relations between the two countries.*

**Key words** *CEFTA, food, Serbia, trade, Montenegro, competition*

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## **Introduction**

Exports of agro-industrial products is the basis of agricultural development, and therefore the economy as a whole. Each country tends to increase export. It also tends to minimize the import, or to achieve a positive balance of foreign trade. To achieve the best possible results in foreign trade it is necessary to constantly explore the market and its products adapted to the requirements and needs of foreign consumers. The subject of this paper is the foreign trade of agro-industrial products of the Republic of Serbia and the Republic of Montenegro within the framework of the CEFTA agreement signed in accordance with the agreement on free trade. CEFTA agreement is covered by industrial and agricultural products, with the greater liberalization of industrial products. Agricultural products are covered by the limited range of commercial benefits because of the particular sensitivity of the agricultural sector.

Serbia has started with the implementation of CEFTA agreement on 24th October in 2007. With this agreement the parties, in mutual trade in industrial goods, eliminated all quantitative restrictions on imports and exports, customs duties on exports, export duties of a fiscal nature, customs duties on imports, import duties of a fiscal nature and extent of the same effects. As for agricultural products, with the entry into force of the Additional Protocol to CEFTA agreement, Serbia is fully liberalized bilateral trade with Montenegro.

The aim of the research is considering possibilities of improving and expanding foreign trade of agro-industrial products. . The task is, among other things, to quantify the change in order to gain insight on the movement and actual trends, as well as to determine the mutual interdependence of the factors that influenced the dominant tendencies manifested. Regional cooperation in South East Europe is necessary for several reasons:

- Many problems can be successfully solved only on a regional basis (the fight against organized crime, human trafficking, prevention and fight against natural disasters and the like)
- Attracting of investments is more successful on a regional basis.
- WTO currently has 150 members. Countries have greater opportunities to promote their interests when acting in concert (within certain groups).

- International financial institutions have more regional approach to providing financial assistance.
- Regional cooperation is considered as a primary condition for joining the European Union.

Since it was first granted preferential access to a market of Serbian products, Serbia has made significant growth of trade with foreign countries. There is an increase in the indicators of openness of the domestic economy, which points to the possibility to make use of comparative advantages. By the value of this coefficient, Serbia is at the last place in the region, so the conclusion is that there is necessity for a higher degree of openness to encourage specialization and economies of scale and easier access to modern technology through foreign direct investment, which is undoubtedly important for the development of the country ([www.pks.rs/Default.aspx?tabid=3929](http://www.pks.rs/Default.aspx?tabid=3929)).

### **Data sources and methodology**

The main source of data is a foreign trade statistics, Department of Agriculture materials, Chamber of Commerce and other relevant sources. It is performed an analysis of exports by commodity groups according to the Standard International Trade Classification. The research covered the time period from 2006-2009. The same is determined by the available documentary material. The research is based on the use of available data using standard statistical and mathematical methods. Intensity of change is quantified by calculating the rate of change using the function of the best adapted trendline to original data. The stability of exports and imports was calculated using the coefficient of variation.

### **Researching results**

#### ***Exports of agricultural products in the Republic of Montenegro***

The Free Trade Agreement (CEFTA) is a free trade agreement between the countries of Central and Eastern Europe and means trade liberalization among countries which are members. CEFTA has political and economic significance as it is meant as a condition for EU membership, and because its goal is to attract investment, develop infrastructure, improve business image in the region, increase the competitiveness of the region,

facilitate better supply of cheaper and better products, and increase employment and living standards of population. Advantage of CEFTA in relation to bilateral agreements is that it allows greater transparency in business, easier administration for the government, greater uniformity and better discipline of participants.

The main reasons for initiating multilateral agreement are:

- Trade liberalization and the promotion of the development potential of the region;
- The introduction of uniform rules (in relation to the significant differences in bilateral agreements) and increase security for investors (increase transparency and uniformity, reducing complexity and administration), increased competition, economies of scale, changing the image of the region, greater legal certainty in the application of the legal framework during the implementation of the agreement (multilateralization rights and obligations, arbitration, etc.);
- Simplify procedures facilitate and encourage domestic and foreign investors to invest more in the region and contributes to the rise of more complex forms of cooperation, such as joint ventures, exchange of experts, technical innovation and a joint appearance on third markets;
- Preparation for EU membership (regional cooperation as a condition for progress in the integration process) and a way to introduce the *acquis communautaire* at the sectoral level;
- Facilitating the criteria for expansion and change current CEFTA agreement to allow better cooperation (introduction of new areas such as services, intellectual property and trade-related investment, the introduction of new procedures, strengthening institutional perspective - Secretariat) represent a significant improvement of this regional arrangements;
- Trade liberalization provides a broader context for a common energy market in South East Europe and the coordinated development of transport, transport infrastructure and infrastructure of environmental protection.
- The support that multilateral agreement is given by the European Commission, the Stability Pact for South Eastern Europe, the World Trade Organization, the World Bank.

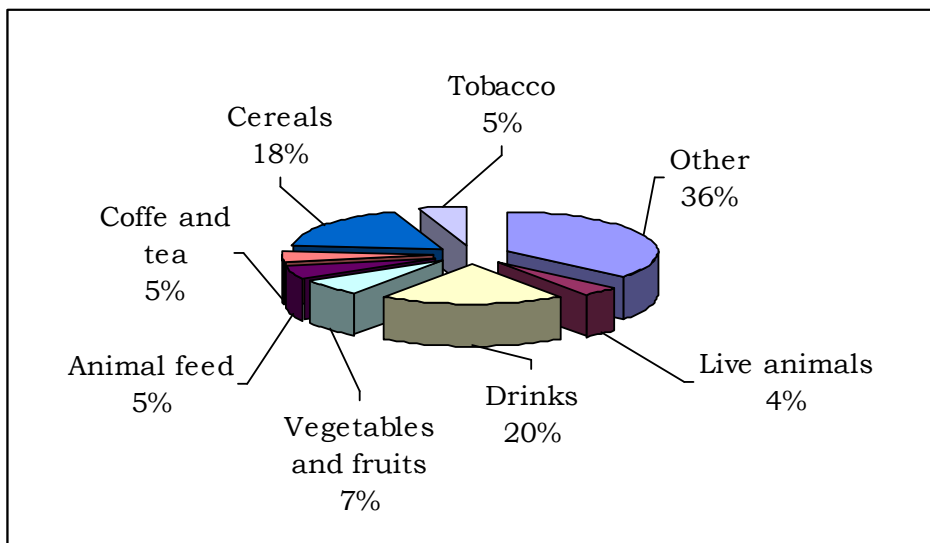
It is expected that CEFTA 2006 bring positive changes in the region and its citizens. The new agreement should contribute to the political stability of the region, attracting investment, developing infrastructure and improving the business image of the region. From the standpoint of consumers there are expected from agreement to provide better and cheaper products in the short term and in the long term growth in living standards due to the increased competitiveness of products from the region, and exports and employment. Republic of Serbia and Montenegro legally and formally separated in 2006t, and then begun the establishment of bilateral relations and foreign trade of two independent countries. Despite the fact that the Republic of Serbia has foreign relations with Montenegro a few years, this is an important foreign trade partner of the Republic of Serbia. The Republic of Serbia in the analyzed period from 2006 to 2009 exported to Montenegro the agricultural and food products amounted to more than a billion dollars or 25.9% of total exports to CEFTA countries (*Vlahovi ,2010.*).

The analysis of exports in the observed time period from 2006 to 2009 shows constant growth in exports, except last year, which can be justified by the global economic downturn and a drop in transport activity, both globally and in the region of CEFTA. Seizing the export curve it is seen constant growth in exports to Montenegro at the rate of change of 17.1%, with a coefficient of variation of 24.6%.

By he analysis of export from the Republic of Serbia according to commodity groups of the Standard International Trade Classification (SITC), Serbia has exported drinks (alcoholic and nonalcoholic) 20%. Cereals and cereal products (wheat grain and wheat flour), corn in grain accounted for 18% of total exports, but it should be noted that the export of these agricultural products increased significantly from year to year. If we analyze the structure of the exported product groups (SITC) from Serbia to Montenegro, it is evident that Montenegro needs for the entire range of products. It may be noted that Serbia exported to Montenegro the most diverse group of food products, while seven groups of agricultural and food products accounted for 50% of exports (*picture 1*). The most common items in the export structure of Serbia are cereals (wheat grain, corn), and drinks (non-carbonated juices, soft drinks and alcoholic beverages), and trade groups fruits and vegetables (frozen and processed vegetables, fresh seasonal vegetables - tomato, cucumber, cabbage, etc ..., as well as fresh

seasonal fruit - apples, plums, cherries, cherry, raspberry, etc ...). The market of agricultural and food products in Montenegro in perspective can absorb more agricultural products from the Republic of Serbia, and in particular, the more processing final products and products of higher market value (meat, milk, fruits and vegetables).

**Picture 1.** *The structure of export of agricultural products from Serbia to Montenegro (2006-2009)*



**Source:** *Authors calculation.*

If we analyzes the export per year, it can be seen that in the first year of Serbian foreign trade it exported the most nonalcoholic drinks worth more than \$ 24 million, which accounted for over 13% of total export. It also placed significant amounts of canned meat products, over 9% of total exports or \$ 18 million worth, milk and milk products (9%) and cereal products (over 9% of the total). The structure of export in 2007 is not changed significantly. It dominated the export of non-alcoholic beverages (15%), cereal products (9%) and canned meat and milk (17%). These three product groups have pursued over a million dollars worth of export. Exports in 2008 are characterized by the growth of exports of non-alcoholic beverages at 16%, but also the placement of completely different product groups: live animals 6% and 5% of animal feed, coffee, tea, cocoa and spices 4%, and others. In 2009 into the export structure still dominated the same group of products - the export of non-alcoholic beverages (16% of total exports to Montenegro), followed by dairy products (10%),

meat and canned products (6%), cereal products (8 %). Exports of live animals increased to 7%, while the other product groups have a similar share in exports, as well as in previous years. It may be noted that Montenegro is one of the most important markets for agricultural and food products to the Republic of Serbia. Commodity groups that dominate of the export of Serbian are drinks and cereals and cereal products. By the analysis of the rate of change can be noted the low rate of change, that indicate the constant slight increase in export and a low coefficient of variation in grain (24.4%) and beverages (29.3%), which indicates the safety of placement of these product groups. The highest rate of change in the analyzed period was recorded live animal trade groups from 108.1%. The result of this high growth can be found in the growth of export of this product group in 2009, which resulted in a coefficient of variation of 94.4%. Serbia has a negative rate of change in the marketing department group of various food products (canned meat and meat products, milk and dairy products, confectionery, etc ...), and it can be concluded that the Republic of Montenegro imports from other countries products with more final processing. In the future Serbia would have to handle this important market niche and to improve the quality of the final food product if it wants to participate in the market of Montenegro. Seizing the rate of change it is evident that the market of Montenegro is a stable market for the sale of agricultural and food products from the Republic of Serbia. Although Serbia and Montenegro have relations for only four years, the balanced growth rate changes and a low coefficient of variation clearly indicate the dependence of Montenegro from sales of food products from the Republic of Serbia. The drop in export of Serbian products on the market of Montenegro in 2009 very much contributed the economic crisis, as well as restrictive budgetary measures of the Government of Montenegro. Seizing the presented rate changes it is expected from Serbia in the future to recover lost market position and achieve slowed growth of export. The decline in exports in 2009, which is higher than the 59 million dollars, is a clear indicator that shows variability of the market of Montenegro. The Republic of Serbia in the future can expect slowdown in exports, and it is possible stagnation due to the limited market potential of Montenegro. It should be noted that CEFTA prohibits government export subsidies in any form. Each CEFTA countries can take appropriate measures if it considers that the other party applies subsidies, thus causing serious damage to the other party (Article 21).

### ***Measures to increase exports of agroindustrial products in the Republic of Montenegro***

In order to increase export, it is necessary to take advantage of the comparative advantages of agroindustry of Serbia (favorable growing conditions, the existence of manufacturing facilities, professional staff and the like.). All the above mentioned factors should be aimed at creating viable export food surplus to meet the quality requirements of the market of Montenegro. We should not forget that during the touristic season our products are bought also by foreign tourists. It is necessary with appropriate measures to stimulate the revival of whole agricultural production, which appears as an essential prerequisite for export. However, according to the signed CEFTA agreement there are not allowed export subsidies in these countries.

It is essential that the agro-industrial products are custom to standards prevailing in the market of the Republic of Montenegro: ISO, HACCP, GLOBAL GAP (in terms of product quality, size, type of packaging, types of packaging, etc.). Quality requirements, sanitary and veterinary care are much stricter than in the previous period. An important issue is the export price and the amount of agricultural products. Specifically, the cost needs to be competitive in comparison to other exporters (Croatia, Slovenia, and the like.). Presnall and al. (2003.) suggest that price competitiveness is no longer a defining export advantage, but important qualitative factors: design, packaging, reliability and speed of delivery, trade mark ("brand"), the ability to meet specific customer requirements and compliance with contractual obligations in the export business, permanent advertising in the media, representing trade interests of our country and building a positive image of the Company's production and promotion of national identity. It is necessary to take account of the competitiveness. In the broadest sense, the international competitiveness of the national economy is based on measuring and comparing macroeconomic indicators and living standards where the focus is productivity, while more narrowly it is defined as a country's ability to export its products to the international market.

Products from Serbia are significantly preferred by consumers in Montenegro (confectionery and meat products, beverages, milk and dairy products, fruits and vegetables, etc.). This trend should continue in the future. It



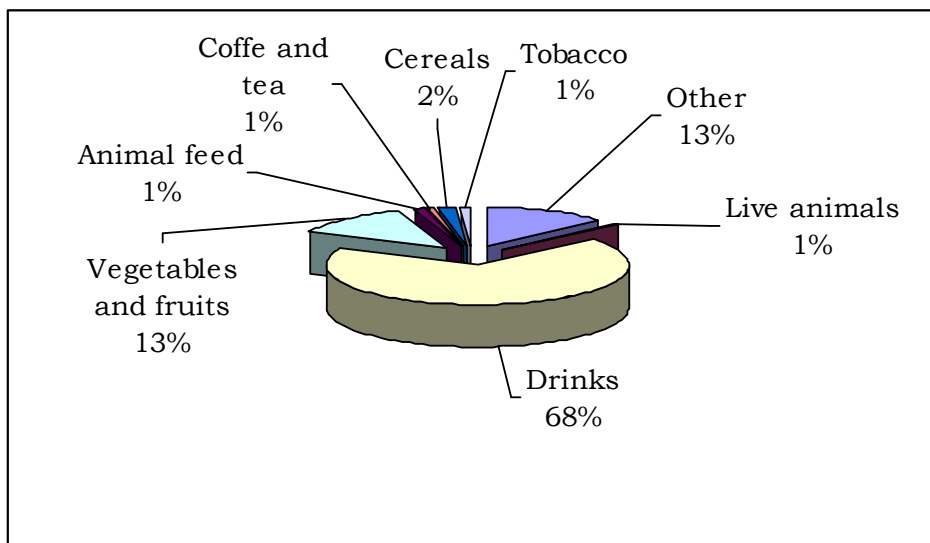
is necessary to define appropriate promotional activities which should be aimed at increasing exports. In order to increase the export, Serbian Republic's products must be competitive in terms of quality, range and price.

### ***Import of agricultural products from the Republic of Montenegro***

As the market of Montenegro has absorption limit, Montenegro has a natural production limit. Confirmation of this thesis is reflected in the line of imported agricultural and food products from the Republic of Montenegro to the Republic of Serbia (*Stanojevi* , 2003). Import of agricultural products from the Republic of Montenegro in observed period had a trend of slight growth, except 2009, when the import declined by nearly seven million dollars. Last year significantly contributed to a negative rate of change of the total imports of -4.7%. Serbia has imported an average of over 25 million dollars worth of agricultural food products annually. Import was annually enlarged with more than ten million dollars, except in 2009, when it recorded a decline in import. Unlike export, which is very heterogeneous, import from the Republic of Montenegro in the analyzed period can be characterized as very homogenous, where over 68% of total import by SITC makes import of trade group drinks (alcohol-wines). In addition to wines, the Republic of Serbia imported salted meat products, fish, dried fruits and frozen vegetables. These commodity groups account for over 80% of the amount of agricultural products imported from the Republic of Montenegro in the study period (*picture 2*). Thus the homogeneous structure of import is a clear indication of natural and industrial constraints of the Republic of Montenegro in the agro-industrial production. Natural limiting factors are, above all, lack of arable land, while the industrial constraints reflected in outdated technology, limited raw material resources and the absence of a clear vision in the field of agricultural and food industry (complex). Clear indicators that confirm this theory are reflected in the modest production and processing of seafood, bottled water, herbs, etc. The area in which the Republic of Montenegro uses its exceptional geographic location and natural resources is the production of alcoholic beverages, especially wine, which is the most important export item of the Republic of Montenegro to Serbia. The Republic of Serbia from Montenegro, in the analyzed period, imported alcoholic drinks worth more than \$ 70 million which represents 68% of total imports of agricultural and food products.

In addition to the mentioned goods imported from Montenegro, in the analyzed period, especially in 2006, there were imported spices worth more than 100 thousand dollars, sugar, molasses and honey (160 thousand dollars) and bovine fresh meat worth more than 165 thousand dollars. However, in this year is dominating the import of alcoholic beverages (wine) worth more than \$ 17 million, which accounted for 69% of Serbian import from the Republic of Montenegro.

**Picture 2.** *Structure of import of agricultural products to Serbia from Montenegro (2006-2009)*



**Source:** *Authors calculation.*

The following year (2007) is characterized by the growth of import of alcoholic beverages, so that import of this product group comprises over 70% of imports from Montenegro or 194 million dollars. Other product groups occupy a symbolic place in the structure of import. The only group of products that have a positive upward trend in terms of Montenegrin export is salted meat products and import of this product group makes 7.8% of total import. Next analyzed year (2008) is determined by the further growth of import of salted meat products (processed pork and beef), so that import of this product group comprises over 12% of total import, while import of alcoholic beverages fall in the percentage of 65%, and rated at 187 million dollars. Last year of the analysis is characterized by a further decline in import of alcoholic beverages at 60%, and the co-

stant growth of import of salted meat products, which in 2009 accounted for 16% of total import. In addition to these two product groups, it can be distinguished import of fish 6% and dried fruit and frozen vegetables 10%. Therefore, export from the Republic of Montenegro to Serbia is very homogeneous, it is made by five product groups, and in the future Serbia probably won't expand the import contingent. The Republic of Serbia has a negative rate of change in import of -4.7%, with a coefficient of variation of 11.5%. To the negative rate of change of import significantly contributed the most recent year in which it is recorded decline in import higher than 100 million dollars. If we analyze the rate of change of import from the Republic of Montenegro, it is evident that it is negative for more than 50% of cargo that is imported into the Republic of Serbia in the observed period. Significantly higher rates of change realized commodity groups fruits and vegetables and tobacco and tobacco products. These commodity groups had significant fluctuations in import. The import of fruit and vegetables in 2006 and 2008 recorded a record amount on average per year from four million dollars, while 2007 and 2009 are characterized by a decline in imports per year more than two million dollars on average. Commodity group of tobacco and tobacco products has almost identical characteristics as the commodity group of vegetables and fruits, but the Republic of Serbia this group mostly imported in the first two years of the study period, followed by a sharp drop in import. It is indicative the negative rate of change of -33.9% of commodity group various food products (meat, fish - freshwater - saltwater, canned food), which generally has a higher level of final processing.

One would assume that Serbia by substantial reduction of import of this product group increased its own production and sales of the same, which is not the case because the Serbian exports recorded a negative rate of change. Negative rates of change and high coefficients of variation of product groups (different food products) clearly indicate the quality of these products and that both countries this group of products supplied from the other countries from CEFTA, which have higher levels of processing, and perhaps higher quality (Croatia). The analysis of commodity group drinks there is a visible decline in import, especially of wine, in the Republic of Serbia from Montenegro.

The Republic of Serbia has reduced import of alcoholic beverages from Montenegro in the last two years to more than six million dollars,

resulting in a negative rate of change of -2.2% and a coefficient of variation of 29.0%. Although the Republic of Serbia declined the import of wine, this group of products continues to dominate in the structure of imports with 68% and amount higher than \$ 70 million, so that the coefficient of variation of 29.0% clearly indicates that in perspective group of drinks will dominate from the Republic of Montenegro. Although Serbia has great potential as a natural geographic and technology to produce high-quality wines, due to unclear policy of the Government of the Republic of Serbia, this branch of the Serbian economy in the future can become a stumbling block of Serbian agriculture.

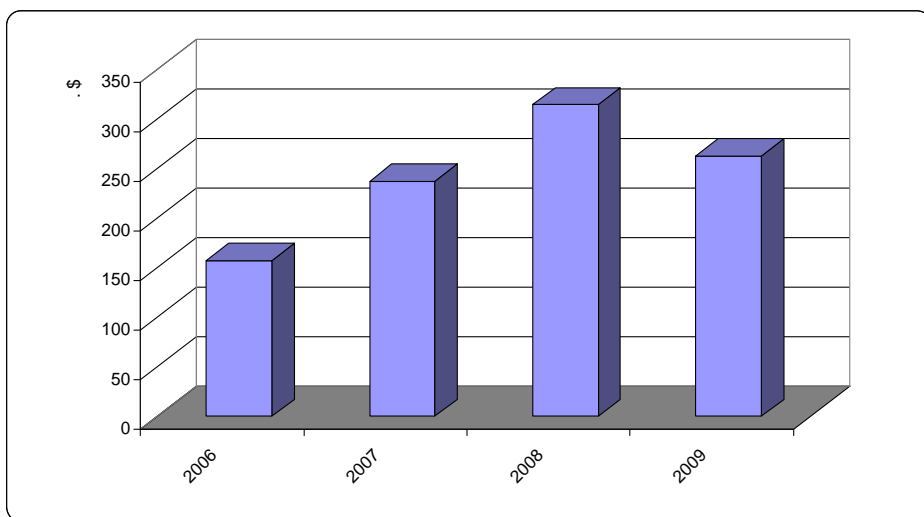
As the Republic of Montenegro is a country of limited natural production capacity, it is expected that import from this country in the future will decrease or be maintained at current level. Apart from the low proportion of the active population of only 29.3%, Montenegro is burdened with outdated technologies in production and processing of agricultural and food products and poorly implemented privatization of existing agricultural complex. Commodity group which may have propulsion in perspective on the Serbian market, in addition to drinks, is eatable vegetables and fruit (mandarin, lemon, fig, etc...).

### **Balance of foreign exchange**

It is important to note that the foreign trade of Serbia and Montenegro has over 34% of total trade agricultural products with the CEFTA countries. Montenegrin market is of great importance for Serbia, because this market, in a very short period (four years), positioned as the second most important. Analyzing the period of foreign trade of the Republic of Serbia and Montenegro, it can be concluded that the Republic of Serbia has achieved a trade surplus more than 970 million dollars.

During the analyzed period, the largest surplus in foreign trade in agricultural products was achieved in 2008 in the amount of 300 million dollars (*histogram 1*). In the same period, the Republic of Serbia imported products worth only \$ 100 million, or 7.6% of total import from countries which signed CEFTA agreement. Serbia notes continued surplus in foreign trade in agricultural products with Montenegro, annually by an average of almost 243 million dollars.

**Histogram 1.** *Balance of foreign exchange of agricultural products between Serbia and Montenegro (2006-2009)*



**Source:** *Authors calculation.*

Serbia is in the studied period from 2006 to 2009 achieved a positive balance of the rate of change of 20% and a moderately low coefficient of variation of only 27%. Significantly higher rate changes and lower coefficient of variation would be possible to realize if both economies have not fallen into a recession caused by the global economic crisis, which has resulted in reducing the volume of trade between Serbia and Montenegro. By the analysis of the rate of change of product group in the balance of foreign trade, it is symptomatic that the commodity group of vegetables and fruits has a negative rate of change of -20.6% and coefficient of variation of 61.5%.

These data clearly indicate a sharp decline in interest of Serbian market to import fruits and vegetables from Montenegro, although it could be assumed that the Serbia in perspective could significantly import fruits from Montenegro. Commodity group - miscellaneous food - also recorded a negative rate of change of -0.2%, which is the result of the previously mentioned technical and technological capacity limitations in the Republic of Serbia and Montenegro. The coefficient of variation indicates that the balance exchange of this product group almost died out between Serbia and Montenegro, and that the Republic of Croatia covers market with this product group.

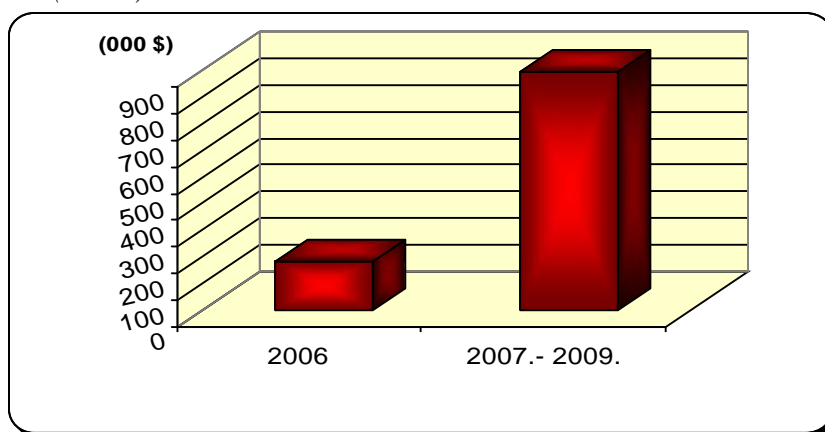
**Table 1.** *Balance of foreign exchange agricultural products between Serbia and Montenegro (2006-2009)*

<i>Department</i>	<i>Product groups</i>	<i>Value (mil.\$)</i>	<i>Rate of exchange (%)</i>	<i>CV (%)</i>
00	Live animals	11,40	180,6	94,5
04	Cereals and cereal products	48,42	13,4	25,0
05	Vegetable and fruits	15,34	-20,6	61,5
06	Sugar, sugar products and honey	2,90	14,1	18,6
07	Coffee, tea, cocoa and spices	12,61	22,4	25,3
08	Animal feed (except wheat in grain)	12,76	22,1	30,8
09	Miscellaneous food	17,44	-0,2	1,3
11	Drinks	36,94	40,7	43,4
12	Tobacco and tobacco products	12,22	66,0	52,1
	Other	72,79	11,0	21,0
	<b><i>In total:</i></b>	<b>242,82</b>	<b>20,0</b>	<b>27,0</b>
Authors' calculations based on the data of the Statistical Office of the Republic of Serbia, Belgrade				

Considering the analyzed data it can be concluded that the most promising commodity group in terms of foreign trade between Serbia and Montenegro were cereals and cereal products. The Republic of Serbia in the analyzed period achieved a balance surplus of this product group over 48 million dollars. Trade in cereals and cereal products, in addition to earned surplus, had a rate of growth of 13.4% with a coefficient of variation of 25%, which are data of stable and long-term exchange. Extremely high rate of change, which is manifested in the exchange, is a trade group of beverages (40.7%) and coefficient of variation of 43.4% and this unequivocally indicate that it will dominate in the future. Analysis of coverage of import by export, Republic of Serbia, in the period of four years achieved significant results. Import of commodity groups 00 and 01 from the Republic of Montenegro, in terms of SITC classification, is the multi-covered by export from the Republic of Serbia. Strategic product groups with which the Republic of Montenegro on the Serbian market performance are the drinks, especially wines. Commodity beverage group is covered by export from the Republic of Serbia to the Republic of Montenegro with over 300%. Commodity group of vegetables and fruits with which the Republic of Montenegro has real possibilities to significantly participate in

the Serbian market is covered by more than 500% of Serbian exports in relation to import from Montenegro. Indicators of coverage of import by export undoubtedly provide to Serbia a relaxed position in terms of trade balance, however, free trade zones and the possibility of export of agricultural and food products from other countries of CEFTA environment in the future may significantly jeopardize such a good balance sheet position. Observing the same period by the product groups it could be note that in all commodity groups Serbia has made a positive balance.

**Histogram 2.** *Comparison of exports before and after the signing of CEFTA (000 \$)*



**Source:** *Authors calculation.*

The most significant positive balance the Republic of Serbia has achieved primarily with grains and wheat products. Drink is a trade group that has also made a significant positive financial result in the amount of approximately \$ 150 million. Other commodity groups have a uniform positive balance, while sugar and sugar products are commodity group with the lowest surplus of 11.6 million dollars. A negative balance the Republic of Serbia in the analyzed period, in terms of SITC, has not made in any of a single commodity groups.

After the first year of implementation of CEFTA, 2007, Serbia has exported agricultural and food products more than 80 million dollars than in 2006. After signing the CEFTA, export increased on average by 28% per year, or more than 295 million dollars annually (histogram 2.). This high

growth in exports resulted in a high coefficient of variation for the last three years more than 122%.

The Republic of Serbia has a growing trade surplus by 33% annually. This high growth in export Serbia has achieved only with Bosnia and Herzegovina. However, the market of Montenegro has significant limiting factors which in the future will certainly lead to a slowdown in export growth, and possibly to stagnation. Factors that could be characterized as primarily limiting are the negative growth rate of the Montenegrin population, slow economic growth and the occurrence of significant impact of competitive agricultural and food products and agro-industrial complexes in the region.

### **Conclusion**

The results clearly show the advantages of the CEFTA agreement in the foreign trade of Serbia and Montenegro. The Republic of Serbia has made significant surplus in foreign trade, an average of nearly \$ 250 million. If we take into account the demographic constraints, and a slight recovery of the economy of Montenegro, and add a significant presence of agricultural and food products from the region, Serbia will in the future have significantly more aggressive appearance on the market of Montenegro. Entry into force of CEFTA 2007, it is allowed to Serbia placement of the non tariff barriers and a number of other limitations. Implementation of CEFTA agreement allowed the Republic of Serbia (agro-complex) easier access to the market of the Republic of Montenegro and taking a leadership position on the same. Maintaining the leading position in the market of Montenegro in the future will involve significant analysis of this market with the full marketing concept and participation on the same. In order to increase export it is necessary to take account of the design, packaging, reliability and speed of delivery, strengthening of brands, the ability to satisfy the specific costumers requirements with respect of contractual obligations. It is necessary to take strict account of standards. It is necessary to keep advertising in the media, representing trade interests of our country and building a positive image of the product and the company as well as the promotion of national identity. Also, it is necessary to take account of the competitiveness of Serbian products in terms of quality and price.



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